

Clearwater County
Consolidated
Financial Statements
December 31, 2011

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INDEPENDENT AUDITORS' REPORT

To the Reeve and Council of the Municipality of Clearwater County:

Report on the Financial Statements

We have audited the consolidated statement of financial position of Clearwater County as at December 31, 2011 and the consolidated statements of operations, changes in net financial assets, changes in accumulated surplus, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Managements' Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We have conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Clearwater County as at December 31, 2011 and the results of its operations, the changes in its net financial assets, changes in accumulated surplus, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Edmonton, Alberta
April 24, 2012

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Clearwater County
Consolidated Statement of Financial Position
As at December 31, 2011

	2011	2010
	<u>\$</u>	<u>\$</u>
FINANCIAL ASSETS		
Cash (Note 2)	34,129,432	31,412,862
Receivables		
Taxes and grants in place of taxes (Note 3)	755,553	625,390
Trade and other receivables	2,967,629	10,442,324
Land held for resale inventory	2,320,993	1,562,864
Investments (Note 4)	<u>83,369</u>	<u>82,304</u>
	<u>40,256,976</u>	<u>44,125,744</u>
LIABILITIES		
Accounts payable and accrued liabilities	1,841,685	8,319,385
Deposits	4,700	17,500
Deferrred revenue (Note 7)	2,232,604	3,595,297
Vacation payable	365,515	317,837
Wages payable	100,120	102,533
Long-term debt (Note 5)	<u>4,715,432</u>	<u>4,974,344</u>
	<u>9,260,056</u>	<u>17,326,896</u>
NET FINANCIAL ASSETS	<u>30,996,920</u>	<u>26,798,848</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	360,810,178	359,961,324
Inventory for consumption	3,510,760	3,404,806
Prepaid expenses	<u>184,897</u>	<u>277,853</u>
	<u>364,505,835</u>	<u>363,643,983</u>
ACCUMULATED SURPLUS (Schedule 1, Note 8)	<u><u>395,502,755</u></u>	<u><u>390,442,831</u></u>

Clearwater County
Consolidated Statement of Operations
For the Year Ended December 31, 2011

	BUDGET (Unaudited) \$	2011 \$	2010 \$
REVENUE			
Net municipal property taxes (Schedule 3)	31,027,204	31,061,710	29,868,699
User fees and sales of goods	3,229,810	1,836,857	722,989
Government transfers for operating (Schedule 4)	1,170,573	836,585	1,286,202
Investment income	362,500	492,429	453,467
Penalties and costs of taxes	60,000	116,968	116,431
Development levies	50,000	47,101	29,901
Licenses and permits	58,600	38,000	45,800
Well drilling taxes	125,000	3,205,616	970,701
Fines	125,000	200,513	156,657
Rentals	81,400	163,872	124,256
Other	136,600	137,153	370,181
Total Revenue	36,426,687	38,136,804	34,145,284
EXPENSES			
Legislative	396,056	331,571	355,748
Administration	1,992,744	1,551,442	1,601,355
Assessment	577,344	582,346	517,595
Fire, ambulance and protective services	1,714,790	1,951,355	1,503,718
Public works - general	1,398,607	1,185,379	1,137,205
Roads, streets, walks and lighting	7,665,663	7,480,649	7,020,668
Facilities	527,850	397,682	564,801
Water supply and distribution	64,870	44,745	67,142
Wastewater treatment and disposal	210,796	277,740	88,357
Waste management	410,818	417,834	273,419
Airport	21,087	30,798	66,902
Family and community support	700,235	614,330	5,554,364
Agricultural services	1,266,568	1,441,474	1,297,946
Land use planning, zoning and development	2,591,060	1,778,535	1,598,792
Parks and recreation	1,181,516	967,776	984,836
Culture	393,563	388,726	373,449
Amortization		16,250,479	15,696,559
Total Expenses	21,113,567	35,692,861	38,702,856
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES - BEFORE OTHER	15,313,120	2,443,943	(4,557,572)
OTHER			
Contributed tangible capital assets		32,161	
Government transfers for capital (Schedule 4)	8,245,341	8,252,730	22,401,555
Loss on disposal of tangible capital assets		(5,668,910)	(4,403,082)
EXCESS OF REVENUE OVER EXPENSES	23,558,461	5,059,924	13,440,901
ACCUMULATED SURPLUS, BEGINNING OF YEAR	390,442,831	390,442,831	377,001,930
ACCUMULATED SURPLUS, END OF YEAR	414,001,292	395,502,755	390,442,831

Clearwater County
Consolidated Statement of Changes in Net Financial Assets
For the Year Ended December 31, 2011

	2011	2010
	<u>\$</u>	<u>\$</u>
EXCESS OF REVENUE OVER EXPENSES	<u>5,059,924</u>	<u>13,440,901</u>
Acquisition of tangible capital assets	(23,045,856)	(41,846,903)
Contributed tangible capital assets	(32,161)	
Proceeds on disposal of tangible capital assets	309,775	397,239
Amortization of tangible capital assets	16,250,479	15,696,559
Loss on sale of tangible capital assets	<u>5,668,910</u>	<u>4,403,082</u>
	<u>(848,853)</u>	<u>(21,350,023)</u>
Acquisition of supplies inventories	(2,647,597)	(1,250,818)
Acquisition of prepaid assets	(184,897)	(277,853)
Use of supplies inventories	2,541,642	1,493,719
Use of prepaid assets	<u>277,853</u>	<u>416,697</u>
	<u>(12,999)</u>	<u>381,745</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	4,198,072	(7,527,377)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>26,798,848</u>	<u>34,326,224</u>
NET FINANCIAL ASSETS, END OF YEAR	<u><u>30,996,920</u></u>	<u><u>26,798,848</u></u>

**Clearwater County
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2011**

	<u>2011</u>	<u>2010</u>
	\$	\$
NET OUTFLOW OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenue over expenses	5,059,924	13,440,901
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	16,250,479	15,696,559
Contributed tangible capital assets	(32,161)	
Loss on disposal of tangible capital assets	5,668,910	4,403,082
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	(130,163)	137,161
Decrease (increase) in trade and other receivables	7,474,695	(7,676,764)
Increase in land held for resale inventory	(758,129)	(606,328)
Decrease (increase) in inventory for consumption	(105,954)	242,901
Decrease in prepaid expenses	92,956	138,844
Increase (decrease) in accounts payable and accrued liabilities	(6,477,700)	4,614,075
Decrease in deposits	(12,800)	(200)
Decrease in deferred revenue	(1,362,694)	(8,302,271)
Increase in vacation payable	47,678	43,310
Decrease in wages payable	(2,413)	(123,687)
	<u>25,712,628</u>	<u>22,007,583</u>
CAPITAL		
Acquisition of tangible capital assets	(23,045,856)	(41,846,903)
Sale of tangible capital assets	<u>309,775</u>	<u>397,239</u>
	<u>(22,736,081)</u>	<u>(41,449,664)</u>
INVESTING		
Increase in investments	<u>(1,065)</u>	<u>(3,928)</u>
FINANCING		
Long-term debt issued		5,100,000
Long-term debt repaid	<u>(258,912)</u>	<u>(125,656)</u>
	<u>(258,912)</u>	<u>4,974,344</u>
CHANGE IN CASH DURING THE YEAR	2,716,570	(14,471,665)
CASH, BEGINNING OF YEAR	<u>31,412,862</u>	<u>45,884,527</u>
CASH, END OF YEAR	<u><u>34,129,432</u></u>	<u><u>31,412,862</u></u>

Clearwater County
Schedule of Changes in Accumulated Surplus
For the Year Ended December 31, 2011
Schedule 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2011 \$	2010 \$
BALANCE, BEGINNING OF YEAR	280,969	30,200,538	359,961,324	390,442,831	377,001,930
Excess of revenues over expenses	5,059,924			5,059,924	13,440,901
Unrestricted funds designated for future use	(11,365,890)	11,365,890			
Restricted funds used for operations	526,189	(526,189)			
Restricted funds used for tangible capital assets		(6,442,326)	6,442,326		
Current year funds used for tangible capital assets	(16,635,692)		16,635,692		
Disposal of tangible capital assets	5,978,685		(5,978,685)		
Annual amortization expense	16,250,479		(16,250,479)		
Change in accumulated surplus	(186,305)	4,397,375	848,854	5,059,924	13,440,901
BALANCE, END OF YEAR	94,664	34,597,913	360,810,178	395,502,755	390,442,831

Clearwater County
Schedule of Tangible Capital Assets
For the Year Ended December 31, 2011
Schedule 2

	Land	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2011 \$	2010 \$
COST:							
Balance, Beginning of Year	42,554,194	5,883,291	595,070,504	9,759,808	1,285,668	654,553,465	625,168,158
Acquisition of tangible capital assets (1)	200,254	2,742,738	18,973,139	452,933	676,792	23,045,856	41,846,903
Contributed Assets	-	-	32,161	-	-	32,161	-
Amortization expense capitalized (2)	-	-	-	-	-	-	107,930
Reclassification Adjustment	-	-	(10,871)	10,871	-	-	-
Disposal of tangible capital assets	-	-	(16,452,430)	(592,770)	(114,922)	(17,160,122)	(12,569,526)
BALANCE, END OF YEAR	42,754,448	8,626,029	597,612,503	9,630,842	1,847,538	660,471,360	654,553,465
ACCUMULATED AMORTIZATION:							
Balance, Beginning of Year	-	(880,349)	(290,424,040)	(2,820,261)	(467,491)	(294,592,141)	(286,556,855)
Annual Amortization	-	(121,610)	(15,470,135)	(541,253)	(117,481)	(16,250,479)	(15,696,559)
Amortization expense capitalized (2)	-	-	-	-	-	-	(107,930)
Accumulated amortization on disposals	-	-	10,902,755	196,336	82,346	11,181,437	7,769,203
BALANCE, END OF YEAR	-	(1,001,959)	(294,991,420)	(3,165,178)	(502,626)	(299,661,183)	(294,592,141)
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	42,754,448	7,624,070	302,621,083	6,465,664	1,344,912	360,810,178	359,961,324

(1) Construction of capital assets in progress totalled \$7,475,899 (2010 - \$27,080,834). These amounts are not being amortized.

(2) Capitalization of the use of construction equipment in construction of engineered structures.

Clearwater County
Schedule of Property and Other Taxes
For the Year Ended December 31, 2011
Schedule 3

	BUDGET (Unaudited) \$	2011 \$	2010 \$
	<u> </u>	<u> </u>	<u> </u>
TAXATION			
Real property taxes	10,955,857	11,036,753	10,313,578
Linear property taxes	35,087,137	35,038,721	34,321,150
Grants in place of property taxes	59,513	59,498	54,766
	<u>46,102,507</u>	<u>46,134,972</u>	<u>44,689,494</u>
REQUISITIONS			
Alberta School Foundation	14,485,064	14,484,262	14,264,812
Red Deer Catholic Regional Division No. 39	167,034	167,025	133,146
Westview Lodge	423,205	421,975	422,837
	<u>15,075,303</u>	<u>15,073,262</u>	<u>14,820,795</u>
NET MUNICIPAL PROPERTY TAXES	<u><u>31,027,204</u></u>	<u><u>31,061,710</u></u>	<u><u>29,868,699</u></u>

Clearwater County
Schedule of Government Transfers
For the Year Ended December 31, 2011
Schedule 4

	BUDGET (Unaudited)	2011	2010
	\$	\$	\$
TRANSFERS FOR OPERATING:			
Federal Government			4,837
Provincial Government	1,161,249	823,331	1,276,365
Other Local Governments	9,324	13,254	5,000
	<u>1,170,573</u>	<u>836,585</u>	<u>1,286,202</u>
TRANSFERS FOR CAPITAL:			
Federal Government	490,165	330,962	3,966,566
Provincial Government	7,755,176	7,921,768	18,434,989
	<u>8,245,341</u>	<u>8,252,730</u>	<u>22,401,555</u>
TOTAL GOVERNMENT TRANSFERS	<u><u>9,415,914</u></u>	<u><u>9,089,315</u></u>	<u><u>23,687,757</u></u>

Clearwater County
Schedule of Consolidated Expenses by Object
For the Year Ended December 31, 2011
Schedule 5

	BUDGET (Unaudited) \$	2011 \$	2010 \$
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	6,542,461	6,172,352	5,471,443
Contracted and general services	8,674,065	6,801,708	6,323,207
Materials, goods and utilities	2,971,760	3,899,316	3,502,207
Provision for allowances (recoveries)	8,500	(7,758)	24,762
Transfers to other governments	21,087	30,798	66,902
Transfers to local boards and agencies	70,086	70,570	70,086
Transfers to Individuals and organizations	2,526,075	2,277,564	7,435,075
Bank charges and short-term interest	1,500	1,582	1,727
Interest on long-term debt	298,033	196,250	110,888
Amortization of tangible capital assets		16,250,479	15,696,559
	<u>21,113,567</u>	<u>35,692,861</u>	<u>38,702,856</u>

Clearwater County
Schedule of Segmented Disclosure
For the Year Ended December 31, 2011
Schedule 6

	General Government \$	Community Services \$	Protective Services \$	Transportation Services \$	Planning & Development \$	Recreation & Culture \$	Environmental Services \$	Agricultural Services \$	Total \$
REVENUE									
Net municipal taxes	31,061,710								31,061,710
User fees and sales of goods	6,617			298,889	956,427		120,884	454,040	1,836,857
Government transfers for operating	388,339		111,064			42,160		295,022	836,585
Government transfers for capital				5,439,644	2,564,273	248,813			8,252,730
Investment income	492,429								492,429
Contributed assets	32,161								32,161
Well drilling taxes	3,205,616								3,205,616
Other revenue	240,899		270,660	1,938	161,358	7,000	6,200	15,552	703,607
	<u>35,427,771</u>		<u>381,724</u>	<u>5,740,471</u>	<u>3,682,058</u>	<u>297,973</u>	<u>127,084</u>	<u>764,614</u>	<u>46,421,695</u>
EXPENSES									
Salaries, wages and benefits	1,773,227	58,921	800,631	2,092,301	581,603	118,953	42,061	704,655	6,172,352
Contracted and general services	751,797	4,585	421,181	4,315,417	465,176	3,801	609,990	229,761	6,801,708
Materials, goods and utilities	422,538		606,113	2,258,310	16,640	388	88,267	507,060	3,899,316
Transfers to other governments				30,798					30,798
Transfers to local boards and agencies		70,570							70,570
Transfers to individuals and organizations	636,770	284,003	123,431			1,233,360			2,277,564
Interest on long-term debt		196,250							196,250
Loss on disposal of tangible capital assets				5,652,537				16,373	5,668,910
Other expenses (recoveries)	(6,426)				250				(6,176)
	<u>3,577,906</u>	<u>614,329</u>	<u>1,951,356</u>	<u>14,349,363</u>	<u>1,063,669</u>	<u>1,356,502</u>	<u>740,318</u>	<u>1,457,849</u>	<u>25,111,292</u>
NET REVENUE (EXPENSE) BEFORE AMORTIZATION	31,849,865	(614,329)	(1,569,632)	(8,608,892)	2,618,389	(1,058,529)	(613,234)	(693,235)	21,310,403
Amortization	135,059		211,746	15,651,423	12,085	9,110	153,432	77,624	16,250,479
NET REVENUE (EXPENSE)	<u>31,714,806</u>	<u>(614,329)</u>	<u>(1,781,378)</u>	<u>(24,260,315)</u>	<u>2,606,304</u>	<u>(1,067,639)</u>	<u>(766,666)</u>	<u>(770,859)</u>	<u>5,059,924</u>

Clearwater County
Notes to Consolidated Financial Statements
December 31, 2011

1. Significant Accounting Policies

The consolidated financial statements of Clearwater County are the representations of management, prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the County are as follows:

(a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and changes in financial position of the reporting entity. The entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the County and are, therefore, accountable for the administration of their financial affairs and resources. Jointly controlled organizations are reported to the extent of the County's proportionate share of ownership or control. Included with the municipality are the following:

Rocky Mountain House Airport Commission	50.0%
Clearwater Regional Fire Rescue Services	47.5%

The schedule of taxes levied includes requisitions for education, seniors' lodges, social and other external organizations that are not part of the municipal reporting entity.

The statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

Pursuant to an agreement entered into in 2001, Clearwater County, the Town of Rocky Mountain House and the Village of Caroline established a regional solid waste authority to manage and operate a solid waste system. The County provides a proportionate share of annual funding to the authority, calculated on a per capita basis. No further accounting information for the authority is included in these financial statements.

(b) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods and services and/or the legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

Clearwater County
Notes to Consolidated Financial Statements
December 31, 2011

1. Significant Accounting Policies (continued)

(c) Use of Estimates

The preparation of financial statements in conformity with Canadian general accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

(d) Investments

Investments are recorded at cost. Where there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

(e) Requisition Over-levy and Under-levy

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

(f) Inventories for Resale

Land held for resale is recorded at the lower cost or net realizable value. Cost includes costs for land acquisitions and improvements required to prepare the land for servicing such as clearing, stripping and leveling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as physical assets under the respective function.

(g) Government Transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period in which the events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

Clearwater County
Notes to Consolidated Financial Statements
December 31, 2011

1. Significant Accounting Policies (continued)

(h) Pension Expenditures

The County participates in three multi-employer defined benefit pension plans. Contributions for current and past service pension benefits are recorded as expenditures in the year in which they become due. See Note 10 for details of these pension plans.

(i) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenue over expenses, provides the consolidated Change in Net Financial Assets for the year.

i. Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	<u>Years</u>
Buildings	10 - 50
Engineered Structures	
Roadway systems	3 - 80
Water systems	45 - 75
Wastewater systems	34 - 75
Machinery and Equipment	5 - 40
Vehicles	10 - 25

One half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

ii. Contributions of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and are also recorded as revenue.

Clearwater County
Notes to Consolidated Financial Statements
December 31, 2011

1. Significant Accounting Policies (continued)

(i) Non-Financial Assets (continued)

iii. Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

iv. Inventories

Inventories held for consumption are valued at the lower of cost or net realizable value with cost determined by the average cost method for gravel and sign inventory and the first in first out method for shop inventory.

2. Cash

	2011	2010
	\$	\$
Cash	29,298,328	9,701,373
Cash equivalents		17,009,082
Temporary investments	<u>4,831,104</u>	<u>4,702,407</u>
	<u>34,129,432</u>	<u>31,412,862</u>

Cash represents cash on hand and in bank accounts.

Cash equivalents are short-term deposits with original maturities of three months or less.

Temporary investments are represented by redeemable term deposits with original maturity dates greater than three months.

The above amounts include grant funding of \$2,224,352 (2010 - \$3,586,547) which is externally restricted for capital projects.

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Notes to Consolidated Financial Statements
December 31, 2011

3. Taxes and Grants in Place of Taxes Receivable

	2011 \$	2010 \$
Current taxes and grants in place of taxes	611,266	498,674
Arrears taxes	<u>170,832</u>	<u>161,270</u>
	782,098	659,940
Less: Allowance for doubtful accounts	<u>(26,545)</u>	<u>(34,554)</u>
	<u>755,553</u>	<u>625,390</u>

4. Investments

	2011 \$	2010 \$
Equity Shares		
Rocky Credit Union Ltd.	71,619	69,403
Rocky Mountain House Co-op Association Limited	7,500	7,500
Alberta Association of Municipal Districts and Counties	4,180	5,331
Alberta Capital Finance Authority	<u>70</u>	<u>70</u>
	<u>83,369</u>	<u>82,304</u>

Clearwater County
Notes to Consolidated Financial Statements
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5. Long-Term Debt

	2011 \$	2010 \$
Tax supported debentures	<u>4,715,432</u>	<u>4,974,344</u>

Principal and interest repayments are as follows:

	Principal \$	Interest \$	Total \$
2012	269,388	186,229	455,617
2013	280,288	175,329	455,617
2014	291,629	163,988	455,617
2015	303,428	152,189	455,617
2016	315,705	139,912	455,617
Thereafter	<u>3,254,994</u>	<u>617,751</u>	<u>3,872,745</u>
	<u>4,715,432</u>	<u>1,435,398</u>	<u>6,150,830</u>

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at the rate of 4.006% per annum and matures in 2025.

Debenture debt is issued on the credit and security of the county at large.

Interest on long-term debt amounted to \$196,250 (2010 - \$110,888).

The County's total cash payments for interest in 2011 were \$196,705 (2010 - \$102,153).

Clearwater County
Notes to Consolidated Financial Statements
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6. Debt Limits

Section 276 (2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta regulation 255/00 for Clearwater County be disclosed as follows:

	2011 \$	2010 \$
Total debt limit	57,205,206	51,217,926
Total debt	<u>4,715,432</u>	<u>4,974,344</u>
Amount of debt limit unused	<u>52,489,774</u>	<u>46,243,582</u>
Debt servicing limit	9,534,201	8,536,321
Debt servicing	<u>455,617</u>	<u>455,617</u>
Amount of debt servicing limit unused	<u>9,078,584</u>	<u>8,080,704</u>

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculations taken alone do not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

The County has a revolving line of credit in the amount of \$4,940,000 available through Alberta Treasury Branches. No borrowings were made against the line of credit during the year.

Clearwater County
Notes to Consolidated Financial Statements
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7. Deferred Revenue

	2011 \$	2010 \$
Transportation grants	1,136,319	2,083,471
Major Community Facility Program (MCFP)	483,458	732,271
Prepaid rent & damage deposits	8,250	8,750
Other grants	<u>604,577</u>	<u>770,805</u>
	<u>2,232,604</u>	<u>3,595,297</u>

Transportation Grants

These grants were received from the Province of Alberta to facilitate the paving of the Sunchild Road. This project is now complete and Alberta Transportation is monitoring the outstanding balance and will deduct from it other grants owed to Clearwater County in future years.

Major Community Facility Program (MCFP)

This grant supports the construction of the recreation grounds in Caroline.

Other Grants

Various other provincial grants are recognized as revenue in the year in which the related expenditure is incurred.

Clearwater County
Notes to Consolidated Financial Statements
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8. Accumulated Surplus

Accumulated surplus consists of restricted and unrestricted amounts and equity in tangible capital assets as follows:

	2011	2010
	\$	\$
Unrestricted surplus	<u>94,664</u>	<u>280,969</u>
Restricted reserves:		
Planning and recreation	232,405	479,405
Capital	1,529,954	2,029,954
Operating - designated	205,187	446,000
Nordegg	691,518	2,936,665
Tax rate stabilization	5,916,415	4,891,415
Airport	64,500	64,500
Fire - capital	919,259	2,759,940
Disaster	562,274	462,274
Public works - capital	1,175,000	610,000
Paving	7,883,610	7,637,627
Gravel	3,782,953	2,982,953
Gravel reclamation	180,000	-
Resource roads	2,469,308	969,308
Sewer	6,196,781	2,438,622
Agricultural services	680,000	680,000
Regional fire	23,750	11,875
Bridge deficit	1,325,000	800,000
NSRP	500,000	-
High speed internet towers	250,000	-
JEPP designated	10,000	-
	<u>34,597,913</u>	<u>30,200,538</u>
Equity in tangible capital assets	<u>360,810,178</u>	<u>359,961,324</u>
	<u>395,502,755</u>	<u>390,442,831</u>

Clearwater County
Notes to Consolidated Financial Statements
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9. Salary and Benefits Disclosure

Councilors	Division	2011			2010
		Salary ¹	Benefits and Allowances ²	Total	Total
		\$			\$
Duncan	1	30,638	5,177	35,815	7,165
Qually	1				29,896
Wymenga	2	30,556	5,174	35,730	40,366
Korver	3	23,006	4,203	27,209	5,451
Kowatch	3				16,925
Oliver	4				17,392
Vandermeer	4	24,270	4,221	28,491	5,346
Bryant	5	36,006	2,723	38,729	35,363
Graham	6	26,318	4,580	30,898	42,224
Alexander	7	41,224	5,643	46,867	44,527
County Manager					
Leaf		166,431	27,709	194,140	190,537

1. Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
2. Benefits and allowances include the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, professional memberships and tuition.

Clearwater County
Notes to Consolidated Financial Statements
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10. Pension Plans

(a) Local Authorities Pension Plan

Employees of Clearwater County participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

The County is required to make current service contributions to LAPP of 9.49% of pensionable earnings up to the maximum pensionable earnings under the Canada Pension Plan and 13.13% on pensionable earnings above this amount. Employees of the County are required to make current service contributions of 8.49% of pensionable salary up to the year's maximum pensionable salary and 12.13% of pensionable salary above this amount.

	2011	2010
	\$	\$
Employer Contribution	445,901	411,024
Employee Contribution	<u>403,619</u>	<u>370,879</u>
	<u>849,520</u>	<u>781,903</u>

At December 31, 2010 the Plan disclosed an actuarial deficit of \$4,600,000,000 (2009 - \$4,000,000,000).

Clearwater County
Notes to Consolidated Financial Statements
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10. Pension Plans (continued)

(b) Alberta Urban Municipalities Association Apex Supplementary Pension Plan

Certain employees of the county are eligible to participate in the Alberta Urban Municipalities Association APEX Supplementary Pension Plan (APEX), a multi-employer pension plan. This plan provides defined pension benefits to employees based on their length of service and rate of pay. The county began participating in this plan in 2010.

	2011	2010
	\$	\$
Employer Contribution	3,828	3,742
Employee Contribution	<u>3,190</u>	<u>3,118</u>
	<u>7,018</u>	<u>6,860</u>

As this is a multi-employer pension plan, the employer contribution represents the County's pension benefit expense. No pension liability for this type of plan is included in the County's financial statements. The most recent valuation as at December 31, 2007 indicates a surplus of \$1.091 million for basic pension benefits.

(c) Alberta Urban Municipalities Association Municipal Supplementary Executive Retirement Plan

Certain employees of the County are eligible to participate in the Alberta Urban Municipalities Association MuniSERP pension plan, a multi-employer pension plan. This plan provides defined pension benefits to employees based on their length of service and rate of pay. The County began participating in this plan in 2010.

	2011	2010
	\$	\$
Employer Contribution	<u>20,186</u>	<u>10,324</u>

As this is a multi-employer pension plan, these contributions represent the County's pension benefit expense. No pension liability for this type of plan is included in the County's financial statements.

Clearwater County
Notes to Consolidated Financial Statements
December 31, 2011

11. Financial Instruments

The County's financial instruments consist of cash, accounts receivable, investments, accounts payable and accrued liabilities, deposit liabilities, and long-term debt. It is management's opinion that the County is not exposed to significant interest or currency risks arising from these financial instruments.

The County is subject to credit risk with respect to taxes and grants in place of taxes receivable and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the County provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

Unless otherwise noted, the carrying value of the financial instrument approximates fair value.

12. Segmented Disclosure

Clearwater County provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

Refer to the Schedule of Segmented Disclosure (Schedule 6)

13. Commitments

Gravel Pit Reclamation Obligation

The County owns gravel pits and is responsible for reclamation costs related to those pits under Alberta environmental law. These costs are expected to be incurred over the life of each pit. The estimated reclamation obligation has not been determined by the County as the information is not reasonably estimable at this time. As a result, no obligation liability has been recorded in these financial statements.

14. Approval of Financial Statements

The financial statements were approved by Council and Management.